

Higher Education

The May Revision for higher education remains consistent with the 2004 Higher Education Compact, includes workload increases and a policy change for the Cal Grant program and introduces the first phase of the Science and Math Teacher Initiative designed to increase the supply of highly qualified teachers in these subject areas. Overall General Fund and related Proposition 98 growth for higher education increases 7.7 percent over the current year revised level in the May Revision, as compared with the 6.9 percent growth increase provided in the Governor's Budget.

Science and Math Teacher Initiative

In 2002-03, all segments of California higher education collectively awarded 1,389 mathematics degrees, yet the total need for new math teachers that year was 2,131. Also, recent studies have shown that California is falling behind the rest of the nation in teaching science and math skills to its students and is finding it difficult to meet the needs in all classrooms. In response, the Compact calls for the University of California (UC) to work with the California State University (CSU) and others, including California industry, to develop a major initiative to improve both the supply and quality of science and mathematics teachers in California. Developing a workforce with the knowledge and critical skills required by an economy increasingly reliant on science, technology, engineering, and mathematics is essential for California and its industries to remain competitive.

To help meet these challenges, the May Revision includes \$1 million to establish the first phase of the new Science and Math Teacher Initiative. This augmentation also includes funds for CSU to work with UC to complement UC's effort. With the segments matching the state investment, adequate funding will be available to operate the UC centers to oversee student advising, school placements, monitor student progress, coordinate student transportation, and provide program assessment data for accountability. The May Revision also proposes to expand the Assumption Program of Loans for Education (APLE) program by authorizing 350 new awards in the budget year for students recruited by participating campuses in these new science and math teacher preparation programs (refer to discussion in the California Student Aid Commission section).

May Revision Adjustments:

University of California

2004-05	-\$88,000
2005-06	\$19.6 million

Current Year

- Updated debt service information decreased the lease-revenue payments in 2004-05 by \$88,000.

Budget Year

- The May Revision proposes to increase UC's General Fund by \$750,000 to provide funds to implement the first phase of the Science and Math Teacher Initiative at UC by providing matching funds to establish at least six Science and Math Resource Centers.
- The May Revision also proposes to increase UC's General Fund by \$18.9 million for revised lease-revenue payment estimates, reflecting both adjustments from the 2004 Budget Act Control Section 4.30 and updated debt service information.

California State University

2004-05	-\$97,000
2005-06	\$381,000

Current Year

- Updated debt service information decreased the lease-revenue payments in 2004-05 by \$97,000.

Budget Year

- The May Revision proposes to increase CSU's General Fund by \$250,000 to provide funds to implement the first phase of the Science and Math Teacher Initiative at CSU by enabling CSU to work with UC to complement UC's effort.
- The May Revision also proposes to increase CSU's General Fund by \$131,000 to reflect revised lease-revenue payments in the budget year to reflect 2004 Budget Act Control Section 4.30 and updated debt service information.
- In addition, the May Revision proposes an addition of \$26 million from existing General Obligation bonds to fund capital renewal projects. The use of bond funds for this purpose will address critical system replacements to maintain instructional capacity without increasing the overall demand for General Obligation bonds for capital outlay.

California Student Aid Commission

2003-04	-\$14.0 million
2004-05	\$9.2 million
2005-06	\$6.9 million

Prior Year

- Additional savings of \$14 million are recognized based on close out of Cal Grant Entitlement awards that were issued in 2003-04.

Current Year

- An increase of \$9.2 million is estimated for current year Cal Grant Entitlement awards. This reduces the savings anticipated in January from \$44.8 million to \$35.6 million.

Budget Year

The May Revision proposes a net General Fund augmentation of \$6.9 million over the level proposed in the 2005-06 Governor's Budget, as noted below:

- An augmentation of \$15.7 million associated with revised estimates of the number of Cal Grant Entitlement awards that will be issued in 2005-06 including transfer and high school entitlement awards.
- An augmentation of \$7.5 million to restore the maximum Cal Grant award for students attending private universities and colleges from the \$7,449 proposed in January to the current year maximum award level of \$8,322.
- A technical adjustment of \$200,000 to defer funding for 100 National Guard Assumption Program of Loans for Education (NG APLE) warrants until 2006-07.
- A reduction of \$16 million on a one-time basis associated with the use of a like amount of surplus funds from the Commission's Student Loan Operating Fund (SLOF) to cover a portion of the costs associated with the Cal Grant program in 2005-06. This proposal increases the one-time General Fund savings proposed in the Governor's Budget from \$35 million in January to \$51 million. Conservative projections indicate a sufficient reserve will be available for EdFund's ongoing cash management in the budget year.
- Authorization for up to 350 APLE warrants for students who participate in the Science and Math Teacher Initiative. Funding for these warrants will be provided when necessary in future budgets following the completion of required service in public schools. Trailer bill legislation is proposed to establish the new APLE program for these new programs.

In addition, the May Revision proposes the following changes to non-General Fund items for 2005-06:

Expenditures: **Higher Education**

- An augmentation of \$1.6 million in SLOF and 2.5 positions for state operations to enhance the Grant Delivery System, including \$1.3 million in one-time funds.
- An augmentation of \$150,000 SLOF to provide temporary help funds for the increased Customer Service Call Center workload for a two-year period until the Grant Delivery System and improvements in automated answering programs are fully implemented.
- An augmentation of \$7.6 million in local assistance reimbursement authority and \$200,000 in state operations reimbursement authority for the operations of the Chafee Foster Youth Program provided through federal funds to the Department of Social Services.

California Community Colleges

2004-05	\$10.0 million
2005-06	\$141.0 million

Current Year

- The May Revision proposes an augmentation of \$10 million one-time for the California Community Colleges (CCC) from Proposition 98 settle-up local assistance funding for additional marginal cost support, equipment, and infrastructure related costs that will allow districts to increase nursing program enrollment capacity by at least 1,800 additional slots to respond to the nursing shortage as part of the Governor's Nursing Initiative. While one-time funds are used for this purpose, the Administration proposes to evaluate program implementation to determine the appropriate magnitude of ongoing funding in subsequent budgets. Additionally, two (five-year) limited term positions and \$150,000 in increased federal reimbursements are proposed in 2005-06 to assist the Chancellor's Office with the implementation of this initiative.

Budget Year

In addition, the May Revision proposes the following major budget adjustments for the CCC, which will increase total General Fund local assistance and state operations program support by \$151.1 million over the two-year period relative to the January Governor's Budget, inclusive of additional General Fund support to backfill decreases in projected local property tax revenues and local student fee revenues. Excluding these offsetting adjustments, the May Revision provides a net increase of \$83.8 million from these sources over the Governor's January Budget. Major General Fund adjustments for the CCC include the following:

- An increase in the Community College's share of Proposition 98 funding is provided, rising from 10.35 percent in the Governor's Budget to 10.46 percent at the May Revision.
- An increase of \$40 million Proposition 98 General Fund for Equalization. The Budget Act of 2004 provided \$80 million to begin equalizing disparities in funding per credit full-time equivalent student (FTES), with the goal of equalizing credit rates to the 90th percentile pursuant to the statutory formula. This funding will bring total support for equalization to \$120 million over two years, or approximately one-half of the total cost to achieve this goal.

Expenditures: **Higher Education**

- Restoration of \$31.4 million Proposition 98 General Fund to reflect agreement between the Administration and the CCC to implement a meaningful, district-specific accountability framework pursuant to Chapter 581, Statutes of 2004 (AB 1417). Additionally, four positions and \$417,000 in General Fund are proposed for state operations to design and implement the statewide accountability framework, provide ongoing reporting and evaluation of district-specific performance, and identify underperforming districts that may require technical assistance. Both augmentations are contingent upon passage of trailer bill legislation to implement the proposed accountability framework.
- An increase of \$17.4 million in one-time local assistance from the Proposition 98 Reversion Account on top of the \$20 million provided in the Governor's Budget to expand the Governor's Career-Technical Education Initiative for a total of \$37.4 million. These additional funds will be used to support additional quick start and capacity building efforts. The Administration also proposes three (two-year) limited term positions and \$360,000 in federal reimbursement authority to implement and administer this initiative. While one-time funds are used for this purpose, the Administration proposes to evaluate program implementation to determine the appropriate focus and magnitude of ongoing funding in subsequent budgets.
- Increases of \$14.1 million for apportionments and \$830,000 in Proposition 98 General Fund for selected categorical programs, to reflect an increase in the COLA factor from 3.93 percent to 4.23 percent.
- An increase of approximately \$2 million in ZProposition 98 General Fund for the Board Financial Aid program to reflect 2005-06 base adjustments provided to local districts as a result of re-estimated student fee revenues.
- A decrease of \$359,000 Proposition 98 General Fund for selected categorical programs to reflect a revised statutory growth rate of 1.76 percent.
- An increase of \$54.3 million Proposition 98 General Fund to offset a reduced 2005-06 property tax estimate. This adjustment reflects revised property tax growth rates, changes in estimated Educational Revenue Augmentation Fund (ERAF) resources, as well as updated projections of basic aid revenues retained by community college districts.
- An increase of \$12.9 million Proposition 98 General Fund, to offset a reduced estimate of student fee revenues for 2005-06.